

STATE OF MICHIGAN



CANDICE S. MILLER, Secretary of State
MICHIGAN DEPARTMENT OF STATE
TREASURY BUILDING, LANSING, MICHIGAN 48918

March 29, 2001

Ms. Mary Lannoye, Director
State Budget Office
P.O. Box 30026
Lansing, MI 48909

Dear Ms. Lannoye:

A handwritten signature in cursive script, appearing to read "Mary", written over the text "Dear Ms. Lannoye:".

In accordance with Section 505(4), P.A. 136 of 1999, the Department of State is hereby submitting the Michigan Transportation Fund Expenditure/Lapse Report.

Should you have any questions, please feel free to contact me at 3241-4500.

Thank you.

Respectfully,

A handwritten signature in cursive script, appearing to read "Joe", written over a horizontal line.

Joseph P. Pavona, Director
Bureau of Administrative Services

JP/pab

c: Auditor General
Don Moore

bc: Jeff Kraus

Component:	Executive Direction
FY00 MTF Grant	\$483,700
Expenditures	481,375
Lapsed	\$2,325

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Executive Direction component finances the Department's Executive Staff. It provides program policy direction and administrative decision making for the Department. It formulates management planning, and monitors the performance of various constituencies and programs to determine whether or not goals and objectives are being met.

Explanation of Lapse

Lapse due to a delay in filling vacancies.

Component:	Department Services
FY00 MTF Grant	\$15,686,500
Expenditures	15,494,683
Lapsed	\$191,817

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Department Services component provides central administrative services for the Department of State. The Department's financial, budgetary, data processing services, research and development of program initiatives, statistical support, human resources, and automotive regulation are contained in this component.

The Bureau of Administrative Services and the Resource Management Systems Administration are funded from this component. This component oversees budgetary functions for the Department. It provides central accounting functions for the Department including reconciliation and distribution of \$2.0 billion in revenue of which \$812 million is deposited into the Michigan Transportation Fund, and monitoring and reconciling payments for departmental expenditures. In addition, this component handles Department purchasing, warehouse services, mailing services and distribution of supplies to various units including the branch offices. In FY00, the Department mailed approximately 18.5 million envelopes containing nearly 21.6 million individual documents. The maintenance of personnel records and coordination of human resource activities with the Department of Civil Service as well as various bargaining units are also performed in this component.

In accordance with Chapter II of the Michigan Vehicle Code, Act 300 of 1949 as amended, the Department's Bureau of Automotive Regulation licenses and regulates 6,200 vehicle dealers in Michigan. Among the dealer activities overseen by the Department are many that: 1) involve the collection of large amounts of revenue that are deposited into the Transportation Fund; 2) protect financial interests in the business community; and 3) protect Michigan consumers and assist them in resolving disputes and recovering financial losses.

A portion of the Department of State's data processing needs are funded by the Michigan Transportation Fund. Funds are used for the development and support of an internal administrative network system, as well as a wide area network system which provides transaction capabilities to over 176 branch offices located throughout the state. Two of the Department's larger data files are the motor vehicle title file (14.7 million records), and the motor vehicle registration file (13.5 million records). These files are used primarily by law enforcement through the LEIN system, courts, and branches of state and local government. On a smaller scale, we also render a valuable service to banks and credit institutions by verifying ownership of vehicles, and providing statistical information for companies such as R.L. Polk.

Explanation of Lapse

Lapse due to a delay in filling vacancies.

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Component:	Regulatory Services
FY00 MTF Grant	\$2,004,800
Expenditures	1,867,180
Lapsed	\$137,620

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Regulatory Services Administration (RSA) includes units performing a variety of functions for the Department of State. The primary business of the Department is to administer programs mandated by the Michigan Motor Vehicle Code, Act 300 (MCL 257.1--257.923). The RSA provides support for these mandated activities. The Bureau of Legal Services provides assistance to all Department units involved in the application and enforcement of the Vehicle Code. This includes the promulgation of rules, development of legislation, coordination of litigation and responding to inquiries from the public as well as the Department.

The Internal Audit Division performs ongoing auditing of the collection of vehicle title and registration fees, sales and use taxes on vehicles, and all fees paid to the international registration plan.

The Enforcement Division is primarily involved in assisting the Department and local law enforcement agencies in the detection and prosecution of embezzlement of funds, as well as violations of the Michigan Motor Vehicle Code, such as false titling of vehicles.

Explanation of Lapse

The lapse was due to delays in the filling of vacancies.

Component:	Customer Delivery Services
FY00 MTF Grant	\$35,936,600
Expenditures	26,196,826
Lapsed	9,739,774

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The 176 branch offices funded in the Customer Delivery Services component process a variety of transactions which impact the Michigan Transportation Fund in varying degrees. Registration fees constitute the bulk of revenue collected by Department of State branch offices. In FY00, fees were collected on 9.7 million motor vehicle registrations and 3.3 million title transactions. These transactions generated \$812 million in Michigan Transportation Fund revenue.

Additional handling of the branch office transactions takes place in the Department's internal processing area where central title and registration computer records are maintained. Vehicle owners also have the option of renewing their registrations by mail, Internet, fax or phone, rather than through the branch office. Many special plates, for example the personalized plate, are issued from the internal processing area.

The registration of vehicles provides several benefits including the following:

- The requirement for registration compels owners to comply with the provisions of the title law. Without the registration requirement, there would be no incentive to transfer a title and pay use tax.
- Vehicle registration fees provide a source of revenue for road maintenance and repairs.
- The requirement of displaying a license plate provides a mechanism for law enforcement agencies to readily identify vehicles with their corresponding ownership record.
- The Department also provides recognition for specific organizations through the issuance of specialty plates. Additional fees are required to offset costs and provide additional revenue for the Michigan Transportation Fund.

Titles provide the following benefits:

- Serve as a proof of ownership document, including vehicle liability source.
- Provide a means for lending institutions to protect their security interest.
- Serve as a transfer document to convey ownership.

Explanation of Lapse

Of the \$9,739,774 lapsed, \$7,040,000 was due to the Commemorative Plate workload coming in below the amount appropriated, \$2,215,000 was due to Specialty Plate funds appropriated without enabling legislation, \$344,200 was due to the Veteran Plate and Organization Plate workload coming in below the amount appropriated and \$124,000 was due to the unexpended Fleet Plate appropriation. The remainder was due to delays in the refilling of vacancies.

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Component:	Departmentwide
FY00 MTF Grant	\$2,719,200
Expenditures	2,610,285
Lapsed	\$108,915

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Departmentwide Component includes the Department's appropriations for Private Rent and Worker's Compensation. The Department rents and leases space from private companies and individuals for most of its branch offices, and other office and warehouse facilities. The Worker's Compensation Act requires the Department to provide payments to individual employees injured at work.

Explanation of Lapse

The lapse was due to the smaller claim amount than projected in the Worker's compensation program.